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Risk Management
Center

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2023

RISK INSIGHTS

Question Everything



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If you have mixed feelings about what 2023 will bring your nonprofit, you have good reason.

You and your team are probably exhausted. The demand for nonprofit services surged early in the COVID pandemic and, for many, hasn't abated. Staffing crises and supply chain issues deepen, compound, drag on.

But you're probably energized for this year, too. Promising things are happening in the nonprofit world—things that feel invigorating and infectious (in a good way, not a pandemic way).

More nonprofits now collaborate and partner to deliver services and advocate for change in the sector and the world.

More grants and donors for equity and justice work have emerged. A trickle won't do it; the sector needs a flood. But the spigot to fund the work of our time has begun to open.

More funders have a glimmer that "overhead" might mean the difference between a living wage and poverty for a frontline nonprofit employee. More funders realize that [providing multiyear unrestricted funding](#),¹ and lowering barriers to access, will unleash transformative ideas to help make society more equitable. Again, many more funders need to realize these things. And as the tide continues to shift, more will.

Challenges and opportunities abound for nonprofits in 2023.

This is a year to question everything.

Remember when you questioned everything and pivoted at the beginning of COVID? The pace of change moves so fast now that nonprofits must constantly question, adjust, and re-evaluate, immediate crisis or no.

We've put together a guide to help nonprofit leaders navigate the critical risks of 2023. To succeed, leaders must be real about capacity. So we know that many of you won't tackle all these issues at once this year. That's OK. We've designed this guide so you can jump in at any issue—once you pass a central point, the one thing we believe all nonprofits must improve on in 2023. We've included some "recess" activities along the way: ideas for constructive ways to step away from a thorny issue, regroup, get a new perspective, or de-stress.

We have a lot to do. Let's get started.

Start Here: **THINK BIGGER**

The more your organization can apply systems thinking in 2023 and beyond, the more change you can make. Systems thinking is a big name for a simple idea: No organization can end homelessness, solve climate change, or eradicate educational inequality by focusing only on its own mission, no matter how valid. The risks you face and issues many nonprofits seek to solve are complex and involve many players. Nonprofit teams must recognize how they intersect with the systems that perpetuate societal ills, and work to change those systems and the role they play in them. Nonprofits that don't do this work risk causing more harm than benefit, creating unintended negative outcomes, failing to execute on their mission, and becoming obsolete.

Systems thinking offers an alternative to the nonprofit cycle of woe exacerbated by COVID: times of great need lead to higher demand for nonprofit services, the need hits hardest in communities that experience longstanding inequities, nonprofit capacity gets stretched, donors won't fund overhead to staff up. Rinse. Repeat.

The cycle of woe didn't work before COVID. The pandemic simply accelerated the urgency of the need for change.

If your organization is new to systems thinking, the most important thing is to begin. A few powerful questions for your team to consider:

- ▶ What problem are we trying to solve? And for whom?
- ▶ What does success look like? How might our vision of success evolve as we make progress?
- ▶ What are the potential unintended downside and upside consequences of our work?
- ▶ What bold risks should we consider to make the biggest possible impact?
- ▶ What “knowable unknowns” can we explore to reduce risk aversion?

In systems thinking, no organization goes it alone. **Once your nonprofit has a sense of the problem you want to solve and the harms you aim to prevent, a great next step is to envision how you could realize those solutions sooner and more effectively by working with others. Next, identify potential partners or coalitions that could work on the problem with you.** You might start with organizations where you already have relationships. But your nonprofit could also reap benefits from teaming with an organization that approaches the work from a very different angle.

Partnerships can start small, Dr. Akilah Watkins, then President and CEO of the Center for Community Progress, [said on a Nonprofit Quarterly webinar in November](#).² A partnership can rise to the strategic level, where two or more organizations look at your whole ecosystem and how you want to change it together. But a partnership could be as simple as working together on webinars, journal articles, or programming, said Dr. Watkins (who has since been named President and CEO of Independent Sector), describing partnership opportunities as a spectrum.

Partnerships also offer an opportunity for organizations to explore ways to make an impact on issues that affect them but on which they’re not expert—like climate change for non-environmental organizations. [We explored how climate change affects nonprofits in our 2022 Risk Insights](#)³ and [in a Risk eNews article last year](#),⁴ and we’ll [host a webinar](#) on the topic in September.

Many nonprofits have some practice with systems thinking. For nonprofits at that level, 2023 offers a great opportunity to find ways to measure the gains systems thinking has brought you. It provides a chance to think through the challenges systems thinking presents for your organization and how to address them. And it gives you an opportunity to craft a narrative—for donors, board members, partners—about how your organization benefits, and serves your community better, by adopting systems thinking. As you get better at telling your story, others will notice. Your work can serve as inspiration, impetus, and model for those that follow you.

Another way to conceptualize systems thinking is going upstream from the problem to address its source. Your nonprofit can refine its internal operations to do more of this—which will help you work more efficiently and effectively when you team with other organizations. In his book *Upstream*, Dan Heath writes, “When you spend years

responding to problems, you can sometimes overlook the fact that you could be preventing them.”⁵ Sound familiar?

Nonprofit teams often succumb to the lure of multiple priorities. Yet the concept of singular is embedded in the definition of the word priority: “a thing that is regarded as more important than another.” In our work as risk advisors, coaches and consultants, the NRMCM team often urges client teams to choose *focus* instead of *fragmentation*. In lieu of a litany (of risks, mitigating activities, etc.), we suggest choosing a singular priority.

Ask:

- ▶ What one thing could we *change*, what one goal could we set, that would substantially increase our nonprofit’s impact?
- ▶ What one thing could our organization *stop doing* that would free up precious time to focus on our No. 1 priority for 2023?
- ▶ What is one organizational process we sink excessive time into weekly or monthly that we could improve with a period of concerted effort?

It may seem impossible to start or continue this kind of work with the day-to-day demands of running your organization. If so, take a breath. Systems work and organizational improvement can feel overwhelming. But this work pays dividends. Your efforts in these areas will make your nonprofit more effective at its mission and a more fulfilling place to work. And you don’t have to solve everything at once. Just make some real progress this year on the journey to thinking bigger. To learn more, we recommend [Harvard Business School’s white paper “Nonprofit Boards: It Is Time To Lift Your Gaze And See The System.”](#)⁶



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Mental Health Day

Give one or take one, as needed, no questions asked. Sleep all day, watch guilty pleasure TV, go for a swim or a bike ride—anything that allows you 24 hours to not think about compliance paperwork or upcoming board committee briefings.

Prepare for **HARSHER ECONOMIC REALITIES**

Many experts believe 2023 will bring a recession. [Fannie Mae, which finances mortgages, predicts a “modest” recession will begin in the first quarter.](#)⁷ It takes the nonprofit sector 1.5 times longer to recover from a recession than the for-profit sector, [according to the Nonprofit Finance Fund.](#)⁸ The work your organization can do to prepare should lessen the work to dig out on the other side of whatever’s next.

All nonprofits should have economic contingency plans for 2023. For example, prepare a [risk action plan](#)⁹ for what you would do if your organization’s income declined by a third.

- ▶ What programs or services would you pause or scale back?
- ▶ How would you approach staffing?
- ▶ What can your organization do now to ensure you can provide the highest benefit to the most people in your community, during an economic crisis?

To answer, you’ll need to revisit the message at the beginning of this paper: question everything. Historically, experts advised nonprofits facing economic stress to [cut expenses to the bone](#).¹⁰ That may or may not be the right strategy for your organization at this moment of great community need and social change. If you have been building a larger financial reserve, you will be in the best position to avoid making drastic service cuts if income streams stall. If you haven’t been working (over months and years) to build that reserve, make that goal a top priority in 2023. Don’t wait until you’re faced with difficult choices; start prioritizing strategies (on the revenue and expense sides of your Statement of Activities) today.

Consider the following questions to begin that process:

Revenues

- ▶ What current revenue streams offer the most promise for expansion, even incrementally? For example, could you ask your most loyal donors to contribute 10% more this year?
- ▶ What new revenue streams could be explored or developed using existing resources, such as staff and board expertise? For each new revenue stream,

what steps and timeframe are likely required to develop the stream to the point where it generates net income for the organization?

Expenses

- ▶ What expenses could be trimmed with the least negative impact on operations and service delivery?
- ▶ Are there any 'nice to have' but not absolutely necessary items in the approved budget?
- ▶ Are there any new offerings that could be delayed until 2024 if Q1 revenues don't match projections?
- ▶ Could you share costs or [consolidate back-office operations with peer nonprofits?](#)¹¹

Confidence Levels and Contingency Plans

- ▶ Savvy board members often ask their CEOs about "confidence levels" for major revenue categories. Make sure you're prepared to explain your level of confidence (e.g., 90%, 50%) and the reasons for that confidence.
- ▶ Some nonprofit budgets include a list of risk factors associated with each major revenue stream. For example, "10-25% risk for our major donor stream; we have seen this level of fluctuation over the past 5 years."
- ▶ Contingency planning is a cornerstone of risk management, including financial risk management. Identify possible contingency options for each major revenue and expense category. For example, "If special events revenue is 10% or more under our projections by the end of the 2nd quarter, we will further delay the hiring of an additional development team member."

While some of the conversations related to the prompts above may take place during annual budget planning, economic shifts and circumstances may necessitate revisiting these issues during the fiscal year. NRMCC forecasts that 2023 will not look like any recent years; the dynamic economic landscape—whose features include a possible recession, continuing inflation, and a volatile stock market—will present varying financial challenges to nonprofits during the year.

At a minimum, be prepared to revisit your forecasts, assumptions, and contingency plans throughout the year as things change. And remember to keep the board apprised of changes by updating your financial forecasts, and inviting their contributions and wisdom as subject matter experts and passionate mission advocates.

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Get a New Perspective by Trading Spaces

If you're a manager, go "Undercover Boss" without the subterfuge. Pair up with a front-line staff member to learn how they make a difference to your clients and community. Ask members of the management team to do the same. Invite your front-line partner to ask questions—none are off the table!—about how the management team operates, or the key tasks associated with your role.

After spending time seeing service delivery on the front line, bring your management team together to learn and share, with prompts such as:

- ▶ What was your 'a-ha' moment during your time with a colleague working on our front lines?
- ▶ What lesson or insight did you pick up that will help you be more effective in your regular role?
- ▶ How can we better support our front line teams? What support do they truly want and need?
- ▶ What are we doing that creates 'organizational drag' for our front lines? How are we causing frustration, unnecessary interruptions, sending mixed messages, and creating risk for these teams?

The better you understand what employees do, the better you'll understand what they need.

Bolster Security, Minimize Vulnerability

All nonprofits must shore up security this year, from their face-to-face operations to their digital presence.

Nonprofits may find their frontline employees face confrontations with service recipients or members of the public. After years of pandemic and financial stresses, people everywhere are stretched thin. Angry confrontations spark around routine interactions. And as gun violence continues to escalate in America, with more than [600 mass shootings in the first 11 months of 2022](#),¹² the possibility of violence by an armed intruder exists for every workplace.

Nonprofits that serve historically marginalized communities also face security concerns. Anti-Asian hate crimes rose more than 300 percent last year, and Black Americans remain the most targeted group by hate crimes in most cities, [according to the Center for the Study of Hate and Extremism](#).¹³ In its November 2022 Summary of Terrorism Threat to the United States, the US Department of Homeland Security reported that “the United States remains in a heightened threat environment. Lone offenders and small groups motivated by a range of ideological beliefs and/or personal grievances continue to pose a persistent and lethal threat to the Homeland.” [The DHS bulletin noted](#) that “Targets of potential violence include public gatherings, faith-based institutions, the LGBTQI+ community, schools, racial and religious minorities, government facilities and personnel, U.S. critical infrastructure, the media, and perceived ideological opponents.”¹⁴

In 2022, [New York Gov. Kathy Hochul announced](#) nearly \$16 million in grants to boost safety and security measures at buildings owned or operated by nonprofits that face the risk of hate crimes or attacks because of their work.¹⁵

All nonprofits should re-assess safety and security threats and adopt practical measures to increase protection and safety for teams and service recipients. While no organization can guarantee a safe environment, every nonprofit team can and must reflect on the safety risks that arise due to location, the nature of services provided and clientele served. All organizations should consider and adopt practical measures to increase safety in 2023. Measures deemed practical in one organization may be impractical in another. NRMCM cannot, unfortunately, recommend universal safety precautions that will suit all organizations.

To get started bolstering safety and security:

- ▶ Evaluate the safety and security of building/program entrances, exits, and other access points.
 - Are entrances and exits well-marked and well-lit? Are they free of all visual and physical obstructions?
 - Does foot traffic and visitor/participant volume warrant a staffed sign-in desk?
 - Should the current policy on visitors be updated? For example, should visitors be required to submit to screening? Required to wear name badges? Required to be escorted by badged staff throughout their time in your building or on campus?

- ▶ Revisit your firearms and weapons policies.
 - Make sure your organization has firearms and weapons policies for both employees and visitors. Employers can often prohibit employees and visitors from bringing guns into their workplace, if they so choose. However, some gun laws and regulations are changing. Congress passed a new gun safety law in 2022, and many states are updating legislation around guns. Ensure your organization understands and complies with all applicable laws and regulations on firearms and weapons.
 - Make sure all employees know your organization's firearms and weapons policies and the consequences of violating them. Several states require private businesses to post signs if they prohibit guns on their premises. If your policy prohibits visitors from bringing guns onto the premises, consider posting notice of that, even if your state does not require it.

- ▶ Determine security staffing needs. Depending on the threats in the community and level of daily interaction with the public, some nonprofits will decide in 2023 to bolster security by hiring new or additional security personnel, either employees or contractors. Some subsectors in the nonprofit sector are coping with dramatic increases in violence against providers. Health care organizations, for example, have seen an alarming uptick in violent attacks; that trend worsened during the COVID pandemic.

- ▶ Consider other reasonable security measures. Nonprofits should gather input from their communities on what types of security measures would make the local community safer and what types of security could bring harms that

exceed the benefits for service recipients. Examples of security protocols and measures that are becoming increasingly common in nonprofits include:

- Use of cameras in service lobbies
- Installing panic buttons in offices where private meetings between staff and clients are held
- Moving client meetings to spaces that can be observed by other members of the team
- Upgrading physical barriers that could stop an intruder, like alarms, fencing, and shatter-resistant glass
- Considering active shooter training if your nonprofit hosts members of the public all day
- Providing de-escalation training to all staff who work directly with clients and the public. The nonprofit Right To Be [offers workplace training on de-escalation](#).¹⁶



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Take it Offline

Escape from your hunch over the computer and turn a Zoom into a walking meeting. It's wonderful if you can do this in person, but if you need to take your phone on a stroll, do it.

Protect Your Employees and Those You Serve in Cyberspace

Nonprofits also face increasing cyberthreats. Many nonprofits possess huge amounts of valuable data. Plenty of hackers would love to get their hands on the personal data of your employees and the people your organization serves, as well as confidential information pertinent to your operations. [Microsoft's 2021 Digital Defense Report found that](#) non-government organizations and think tanks were the second-most-targeted sectors by cybercriminals.¹⁷ And the average organizational data breach in 2022 cost \$4.35 million, [according to IBM](#).¹⁸ Make sure you have cybersecurity basics covered.

- ▶ Recognize and report “phishing,” the social engineering attacks that use email and the names of trusted contacts to seek personal information.
- ▶ Enable multifactor authentication, which requires additional information beyond a login and password to access organizational systems.
- ▶ Mandate strong passwords—at least 12 characters.
- ▶ Update software, firewalls, and email filters regularly.

Once you've locked down the basics, prepare for future events that could impact your systems, applications, hardware, data, employees and clients or service recipients.

Take steps now to prepare your organization in the event of a data privacy breach.

Identify experts who could help your organization conduct a full breach response. Make sure you know what your cyber insurer requires and the types of support they will be able to offer if your systems and data are breached. Know how you will stop additional data loss and preserve evidence. Ensure team members and/or vendors know how to remove improperly posted information from the web. Make a communications plan. Gather contact information and plan how you will notify affected parties of a breach.

Protect employees who maintain an online presence for your organization from harassment.

Hate speech on Twitter [surged after Elon Musk's acquisition of the platform](#).¹⁹ Organizations that require employees to maintain a public online presence should cover the cost of services that keep those employees' home addresses and personal phone numbers off data broker websites. They should have established procedures for employees to report online harassment and protocols for how to handle it. Right To Be offers resources on how to deal with online harassment.

Nonprofits must also **evaluate their current and potential use of artificial intelligence**. Almost all organizations use artificial intelligence in some way, whether it's automatic

emails to donors, hiring software, or customer service chatbots. These uses of AI could free up money and resources for direct service. They also could introduce or exacerbate bias at your nonprofit. Even multifactor authentication raises concerns about bias. Such concerns have led some nonprofits to avoid authentication options that involve facial recognition. Of the major biometric authentication methods in use, facial recognition is the least accurate, raises extensive privacy concerns, and current implementation of the technology “involves significant racial bias, particularly against Black Americans,” [according to Harvard University’s Alex Najibi](#).²⁰

AI could streamline your ability to serve members of your community—and it could infringe on their rights. [A 2020 United Nations report outlined the risks](#) of humanitarian organizations collecting data on refugees, such as requiring biometric identification to receive food assistance. E. Tendayi Achiume, then UN Special Rapporteur on racism, racial discrimination, xenophobia, and related intolerance, wrote: “...Conditioning food access on data collection removes any semblance of choice or autonomy on the part of refugees—consent cannot freely be given where the alternative is starvation.”²¹

Ask your organization’s IT staff or vendors to share how their work uses AI. Evaluate its benefits and risks and determine whether your organization wants to continue to use AI in this way. Repeat this process every time a potential new use of AI comes before your organization.

Keeping a Great Team: **It’s Not Just About Pay, But Pay is Fundamental**

The Great Resignation and its long-term effects put upward pressure on wages across industries, including nonprofits. Compensation isn’t the only factor in keeping great nonprofit employees, but it’s a big one. All nonprofits must invest time and effort in 2023 to establish and maintain equitable, fair compensation standards.

Compensation and wage growth have emerged as some of the most important internal issues nonprofits face. If your nonprofit doesn’t have a compensation philosophy, you need one. In a large organization, a statement of compensation philosophy may address where on the market pay scale your organization aims to fall and why, and describe how your nonprofit will prioritize, solve for, and address pay equity across gender, ethnicity, and other factors.

In a smaller nonprofit, a compensation philosophy may be a single statement, such as: "A top priority for ABC nonprofit is to ensure financial good health and discipline while prioritizing competitive compensation and benefits for our dedicated staff team."

Your compensation philosophy will be useful as an anchor or North Star as you address compensation issues that arise.

If your nonprofit employs 100+ people and you haven't recently done a pay study, consider doing one this year. How?

- ▶ Gather market data on nonprofit salaries.
- ▶ Rank jobs (not people) in a way that shows their level of responsibility and required technical skills or experience.
- ▶ Set pay ranges for what employees at a given level should expect to earn.
- ▶ Compare actual salaries to the ranges you set, and develop a policy for how you will handle any discrepancies.
- ▶ Consult legal counsel. When you make an adjustment to solve one pay problem or inequity, you can create others, so consider a variety of solutions and their potential impact before you make changes.

Even if your organization has recently done this work, inflation may mean you need to increase pay again. The Consumer Price Index in the U.S. [rose 7.7 percent in November](#) from a year earlier.²² Nonprofit jobs sometimes pay less than for-profit jobs, and inflation can hit nonprofit employees especially hard. Many nonprofits have seen rent and other costs in their region skyrocket, and some have already made inflation adjustments for pay. Often, nonprofits choose to offset short-term inflation pressures through bonuses rather than salary increases.

Salaries and benefits comprise the biggest expense for most nonprofits—rightfully so, as their missions would not be possible without paid employees. Thoughtful compensation practices recognize that the inflation squeeze affects people at the low end of the pay scale most, and compensate them accordingly.

Nonprofits must find ways to invest in their employees in 2023 and beyond. There are many ways to add to your organization's suite of total benefits, like additional professional development opportunities or rest breaks like closing your offices for a week or more in addition to any regularly scheduled breaks. But if your organization does not pay a fair wage that reflects the cost of living, those actions will only go so far.

Some organizations may even find they need to cut nonessential programs and services to fund a fair market compensation program for their teams. That could be a risk worth taking. Your organization can't carry out its mission without a great team. And as

nonprofit missions aim to end the ills of society, it's especially important for nonprofits to pay fairly.

We also encourage nonprofits to **foster more decision-making at the employee level, rather than routing all decisions up a rigid chain of command.** Research shows that employees value autonomy and the ability to make their own decisions about routine issues—as long as they receive communication and guidance about how much decision-making authority they have. This dovetails with the risk management principle of distributing control, but centralizing coordination of efforts.

Distributing decision-making well requires leaders to give clear assignments and directions, communicate guardrails, share the nonprofit's strategy clearly and often, and be available to help problem-solve along the way. It takes effort—and that effort bears fruit in a stronger, more resilient organization with more satisfied and engaged employees.

Distributing decision-making could also mitigate a troubling trend in the nonprofit workforce: the increasing divide between frontline and office employees. Nonprofit frontline workers provide social services, maintenance, health care, educational services and many other essential services in their communities. But their work has put them at increased risk of COVID and brought them into [fraught interactions with service recipients and community members](#).²³ While frontline employees face these risks, many nonprofit office and management employees work from home or administrative offices that screen visitors. That brings its own challenges and pressures, but those workers avoid the risks of daily in-person contact with sick or angry members of the public.

Remote work has brought many benefits to nonprofits and their teams. **We don't suggest you abandon it. But nonprofits must distribute benefits and risks more equally across their teams—or risk exacerbating the social inequalities their missions commit them to solve.** Across for-profit and nonprofit workforces, [frontline employees are more](#)

What is Risk?

When you talk to colleagues about risk, are you all talking about the same thing? It's easier to do that when you have a common definition of risk.

As NRMCM defines it, risk is a future event, action, or decision with the potential to affect a key objective of your nonprofit adversely, beneficially, or both.

We believe risk management exists to safeguard against threats in order to open up time and resources for nonprofit leaders to take on more risk that could advance their missions.

Now that we know what risk is, let's talk about what risk is not.

A problem that's happening now isn't a risk. A risk is something that could happen. If it's happening, it's a reality, not a risk.

Risk is not something to be avoided at all costs. Sometimes your organization will need to take a big risk because the potential benefits could be transformative for your mission.

If you or your team tend to be too timid in thinking about risk, challenge yourself and others not to start with "no." Think about the reasons why you might want to take an action or make a decision before you dive into all the reasons not to.

[likely to be Black or Latinx](#), meaning those populations bear greater risks to do in-person work.²⁴ Inequities between frontline and office employees create or exacerbate division in the workplace and mean nonprofits lose some great team members.

Nonprofits can begin to close this divide by sharing power and decision-making across levels of authority, an approach [outlined by the Substance Abuse and Mental Health Services Administration](#) in its principles of trauma-informed care.²⁵ Remember the risk management principle of centralizing coordination and distributing control? Distribution of power helps with that too.

Research shows many employees place a high value on flexibility—the option to work at the times and in the ways they choose. The authors of *How the Future Works: Leading Flexible Teams to Do the Best Work of Their Lives* write that “...the desire for flexibility defies stereotype. It’s not just something for younger employees or working moms. The desire crosses age, gender, race, and geographical categories. Even among executives, who expressed a preference for office work, a majority still valued their schedule flexibility.”²⁶

Remote work can allow employees to meet life’s non-work needs, such as family doctor appointments. How can your nonprofit offer frontline and office employees more options in how they work, too? Another important consideration for shift workers is a reliable schedule. Employees who juggle multiple jobs and caregiving roles need a solid sense of when they will be expected to work. [How can your organization provide more schedule reliability to your shift workers?](#)²⁷

Organizations can take additional safety measures for their teams and [step up training to make their workplaces safer for all employees](#), including those on the front lines.²⁸ [They could also implement “hero pay”](#)—a wage bump or bonus that many businesses gave frontline employees in the pandemic’s early months—for the long term.²⁹ Employees who accept the risks of in-person work should be compensated accordingly.

As Baby Boomers and even some of the oldest Gen Xers begin to retire, nonprofits will need to attract younger workers to maintain and grow their workforces.

While all generations are diverse, many Gen Zers (born from 1997-2012) [want to work for an organization that’s aligned with their values](#).³⁰ Nonprofits’ dedication to a social mission could help attract young workers. To attract Gen Zers, nonprofits should:

- ▶ Embrace and evolve their use of technology. Seek to recruit and engage Gen Z on your social media channels, and use your website and social media to highlight how your nonprofit demonstrates its commitment to its values.
- ▶ Demonstrate a real commitment to diversity, equity, and inclusion. Use your online and social messaging to show the diversity of your workforce and the

community you serve—with real photos and videos of employees and service recipients, not stock footage. Show how community members help shape your nonprofit's offerings.

- ▶ Support work-life balance. As noted above, all generations prize this. Offer as much flexibility as possible to accommodate short-notice events like doctor's appointments (and employee pets' vet appointments!) and in office times and locations.

Those measures should help recruit and retain great talent across all generations. And having five generations in the workforce at once presents unprecedented opportunities for cross-generational mentoring and collaboration. To maximize the benefits and manage conflict, nonprofits should clearly communicate what values and behaviors are non-negotiable for the organization, and offer as much flexibility as possible elsewhere. Seek ways employees can team up to teach each other skills—this could provide an opportunity to start a staff mentoring program.



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Vent to Someone Who Gets You

Maybe it's your work bestie down the hall.
Maybe it's someone you maintained a
friendship with after a faraway conference.
Who understands and supports your
need to kick and scream about inequities,
frustrations, or whatever's on your mind?

Reach out to them today.

Deepen Your Commitment to Diversity, Equity, and Inclusion— **Inside and Out**

When nonprofits make changes to become more diverse, equitable, and inclusive, they must do so in conversation and partnership with the communities and populations they serve. But internal work plays an essential role, too. Nonprofits must build diverse and inclusive teams in order to meet their missions and deliver services in partnership with their communities. They also need diversity of thought to reckon with the big challenges outlined throughout this report. All nonprofits must improve in 2023 at becoming places where people from historically marginalized communities would want to work.

Some nonprofits will be much further along on this journey than others. BIPOC-founded-and-led organizations will likely have different challenges in this area than organizations with a predominantly white power structure. But every nonprofit has work to do to become a more welcoming employer for people from a variety of backgrounds. That journey will never end, so all nonprofits must continue to grow and get better.

Potential areas of focus to make your own team more welcoming:

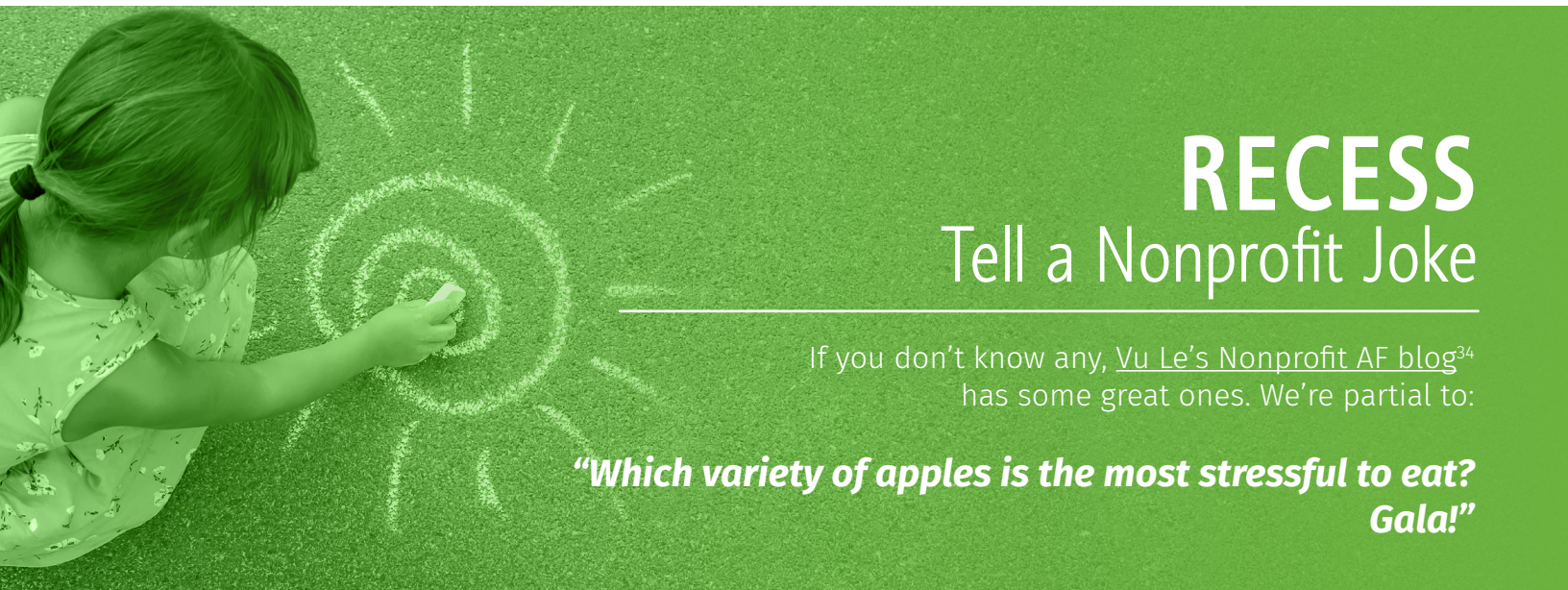
- ▶ [Solicit meaningful feedback from employees](#) on what management approach works for them.³¹ Work to put those approaches into practice, and when you can't, explain why in a nonconfrontational way.
- ▶ Remember equitable does not mean equal. While you must treat every member of your team fairly and equitably, you don't have to manage them all the exact same way — and why would you, since that's almost certainly not effective for everyone?
- ▶ Learn to apologize. When you're wrong, say so. Don't equivocate. If your error caused harm, tell the person or people who witnessed it that you're sorry. Demonstrating that you can acknowledge and address mistakes helps create a climate in which people speak up about offensive comments or actions.
- ▶ Help your team members work across difference. Provide space, time, and resources to allow your employees to grow their ability to navigate issues around diversity, equity, and inclusion.
- ▶ Set and enforce standards of respect. Communicate that offensive, inappropriate, or biased behaviors at work are not OK. [Provide employees a safe way to report such incidents](#) and adopt a straightforward approach to investigate and respond to reports.³²

But that’s only the beginning. If your nonprofit’s diversity, equity, and inclusion efforts end at your own walls, they’ll ultimately be meaningless. Consider how your organization can more effectively center the people you serve this year. How can you better understand the needs of the people you serve and involve them in the development of your offerings from the beginning? How can you tell more meaningful and inclusive stories about your work with the people you serve?

Seek partnerships that connect your organization with more members of your community and bolster your knowledge—and vice versa. The systems thinking work outlined earlier in this report can help you identify and pursue transformative partnerships. Start small and expand on successes if that approach works best for your organizations.

All leaders and organizations have blind spots. Nonprofits must work to reduce those blind spots in 2023. Seek to identify and mitigate harmful consequences of your organization’s work. A discussion with board members and service recipients around question prompts like “How might our organization’s work unintentionally cause harm in our community? How can we mitigate those harms? How might we create new approaches that avoid these harms?” can help you begin or advance that journey.

The murder of George Floyd in 2020 galvanized a surge in commitments to racial equity. Many nonprofits made big public pronouncements and financial pledges to diversity, equity, and inclusion. High-profile initiatives can catalyze change if organizations hold themselves accountable to follow through—[an area where many have fallen short](#).³³ Nonprofits that still have major internal equity gaps will struggle to follow through effectively on external equity commitments.



RECESS

Tell a Nonprofit Joke

If you don’t know any, [Vu Le’s Nonprofit AF blog](#)³⁴ has some great ones. We’re partial to:

***“Which variety of apples is the most stressful to eat?
Gala!”***



Conclusion

We're bullish on 2023.

We don't say that in economic terms. The economy will likely be very rough on the people nonprofits serve this year, which will create big challenges for the organizations that serve them.

But we believe in the ability of nonprofits to innovate, collaborate, reinvent, reimagine, and transform. We've seen it over and over during these past three brutal years. We know you've still got it.

In our [2022 article on organizational trauma](#), we wrote that sometimes nonprofits must leave behind the approaches that brought them this far.³⁵ We wrote about how that can hurt. Many organizations will need to leave things behind this year. Make some space for the range of emotions that brings up.

Your team must take time to celebrate wins and grieve losses and challenges this year. You will have your share of both. If you never stop to process them, unresolved issues will clog up the works, and it will get harder to do the organization's daily tasks, let alone to innovate. We hope the resources we've provided here will help.

We can't wait to see how you adapt, pivot, and question everything this year, in the service of your missions and making the nonprofit sector better.

The authors of this publication, Rachel Sams and Melanie Lockwood Herman, welcome your feedback and reflection on the Risk Landscape for nonprofits at Rachel@nonprofitrisk.org and Melanie@nonprofitrisk.org.

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About the Nonprofit Risk Management Center

The Nonprofit Risk Management Center inspires effective risk management and Risk Champions across the nonprofit sector. We enable nonprofit leaders to identify and manage risks that threaten their missions and operations, while empowering them to leverage opportunities and take bold, mission-advancing risks.

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